

## **RESOLUTION NO. 2018-46**

### **A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CATHEDRAL CITY, CALIFORNIA, ADJUSTING THE CANNABIS TAX RATES FOR CANNABIS CONCENTRATE PURSUANT TO SECTION 3.48.040 OF THE CATHEDRAL CITY MUNICIPAL CODE**

#### **THE CITY COUNCIL OF THE CITY OF CATHEDRAL CITY FINDS:**

A. The voters of Cathedral City approved Measure N at the November 2014 general municipal election establishing a tax on the proceeds of cannabis businesses as defined in Measure N in a maximum amount of 15% of proceeds.

B. Measure N authorized the Council to set the tax at a rate that is less than 15% and to establish exemptions, incentives, or other reductions.

C. Resolution 2015-50, adopted August 26, 2015, set a tax rate of 10% for each medical cannabis business that received or receives from the City a permit to operate a medical cannabis business or cooperative in the City.

D. At the time Measure N was approved, dispensaries were the only type of medical cannabis business permitted in the City. Subsequently, the City Council has substantially change the City's regulation of medical cannabis businesses, and expanded the types of medical cannabis businesses that are allowed in the City.

E. The City Council placed Measure P on the November 2016 ballot to amend the tax on cannabis businesses to include different tax rates for medical cannabis cultivation and manufacturing, among other things.

F. The voters approved Measure P, which imposes the following taxes on medical cannabis businesses in the City:

- Fifteen cents for each one dollar of gross receipts or fractional part thereof received by a dispensary or by any other cannabis business for activities other than cannabis cultivation or manufacturing.
- Twenty-five dollars for each square foot or fractional part thereof of cannabis cultivation space.
- One dollar for each gram of cannabis concentrate produced or manufactured.
- One dollar for each unit of cannabis-infused product other than cannabis concentrate produced or manufactured and packaged or intended for individual sale.

G. Measure P continues to authorize the Council to set the taxes on medical cannabis at lower rates than what was approved by the voters, and to establish exemptions, incentives, or other reductions.

H. On April 26, 2017, the City Council adopted Resolution No. 2017-13 lowering the cannabis tax rates to:

- Ten cents for each one dollar of gross receipts or fractional part thereof received by a dispensary or by any other cannabis business for activities other than cannabis cultivation or manufacturing.
- Fifteen dollars for each square foot or fractional part thereof of cannabis cultivation space.
- Forty cents for each gram of cannabis concentrate produced or manufactured.
- Forty cents for each unit of cannabis-infused product other than cannabis concentrate produced or manufactured and packaged or intended for individual sale.

I. The City Council desires to further modify the cannabis tax rate applicable to cannabis concentrate to establish different rates for crude concentrate, distillate, and exotic/boutique concentrate.

**THE CITY COUNCIL OF THE CITY OF CATHEDRAL CITY RESOLVES:**

**SECTION 1.** The definitions contained in Section 3.48.020 of the Cathedral City Municipal Code shall pertain to words or terms used in this Resolution. In addition, the following definitions shall apply to this Resolution:

A. "Crude concentrate" means cannabis concentrate that is a raw, un-refined extract oil, usually very dark amber to yellow/blonde hue that still contains fats, lipids, and waxes. Crude concentrate normally tests between 40-75% total cannabinoids.

B. "Distillate" means cannabis concentrate that is a winterized, filtered, and ultra-refined extract oil, usually light amber to yellow/blonde in hue that contains no fats, lipids, or waxes and is fully decarboxylated. Distillate normally tests between 80-100% total cannabinoids.

C. "Exotic or boutique concentrate" means cannabis concentrate that is an ultra-premium extract oil, usually amber to very light yellow/blonde hue and may or may not contain fats, lipids, or waxes (depending on the process). It has a high terpene concentration and usually tests between 75-100% total cannabinoids. They may also be referred to as shatter, live resin, terp sauce, or diamonds. Any cannabis concentrate

that does not fall within the definition of crude concentrate or distillate shall be deemed to be an exotic or boutique concentrate.

**SECTION 2.** Every cannabis business operating in the city, regardless of whether such cannabis business has a license pursuant to Chapter 5.88 of this code or a permit pursuant to Chapter 9.108 of this code, shall pay the Tax in the following amounts for cannabis concentrate produced or manufactured in the City:

A. Five cents for each gram of crude concentrate produced or manufactured.

B. Ten cents for each gram of distillate produced or manufactured.

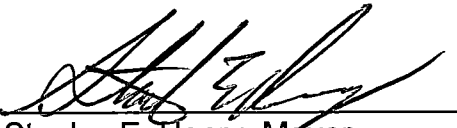
C. Forty cents for each gram of exotic or boutique concentrate produced or manufactured.

Each July 1, the amounts in subsections A, B and C of this section may be automatically adjusted based on the average percentage change in the Consumer Price Index for "all urban consumers" in the Riverside-San Bernardino-Ontario area for the calendar year which ends in the previous fiscal year.

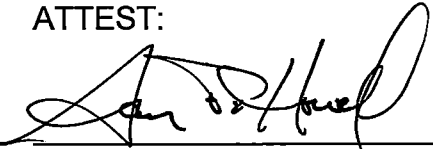
**SECTION 3.** This Resolution shall take effect on November 1, 2018.

**PASSED, APPROVED AND ADOPTED** at a regular meeting of the City Council of the City of Cathedral City held on this 10th day of October, 2018, by the following vote:


Ayes:	Councilmembers Aguilar, Carnevale and Kaplan; Mayor Pro Tem Pettis and Mayor Henry
Noes:	None
Absent:	None
Abstain:	None

  
Stanley E. Henry, Mayor

ATTEST:

  
Gary F. Howell, City Clerk

APPROVED AS TO FORM:

  
Eric S. Vail, City Attorney